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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

DEBORAH DONOGHUE,

Plaintiff,

- against -

COMPLAINT

ALLOY, INC. and MLF PARTNERS, L.P.

Defendants.

DEBORAH DONOGHUE, by David Lopez, Esq., her attorney, complaining of the defendants, respectfully alleges the following upon information and belief, except as to paragraph 2, which plaintiff alleges on personal knowledge:

JURISDICTION:

1. This action arises under the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Act"), 15 U.S.C. Section 78p(b), and jurisdiction is conferred upon this court by Section 27 of the Act, 15 U.S.C. Section 78aa.

THE PARTIES:

2. Plaintiff is a security owner of ALLOY, INC., a Delaware corporation with principal offices at 151 West 26th Street, New York, New York 10001. At all times relevant hereto the common stock of ALLOY, INC. was registered under Section 12(g) of the Act and traded on the NASDAQ National Market System through market-makers located in this district. This action is brought in the right and for the benefit of ALLOY, INC. which is named as a party defendant solely in order to have all necessary parties before the court.

3. At times relevant to liability MLF PARTNERS, L.P., a Delaware limited partnership, was a more-than-10% beneficial owner of ALLOY, INC. It has a principal place of business or may be found at 2401 West Bay Drive, Suite 124, Largo, Florida 33770

STATUTORY REQUISITES:

4. The violations to be described herein involve non-exempt securities in non-exempt transactions engaged in by non-exempt persons within the meaning of Section 16(b) of the Act and the rules and regulations promulgated

thereunder.

5. Demand for prosecution was made on June 11, 2005. More than sixty days have passed since the initial demand without collection having been effected. Further delay in the filing of suit would be a futile gesture.

6. Some of the transactions to be described herein were effected in whole or in part within the district through market-makers located herein.

7. This action is brought within two years of the occurrence of the violations to be described herein or within two years of the time when reports required by 15 U.S.C. 78p(a) setting forth the substance of the transactions here complained of were first filed with the Securities & Exchange Commission.

FIRST CLAIM FOR RELIEF:

8. MLF PARTNERS, L.P. purchased the following shares of common stock of ALLOY, INC. on the dates and at the prices shown:

<u>Date</u>	<u># Of Shares</u>	<u>Price</u>
09/02/04	50,000	3.6257
09/03/04	20,773	3.5889
09/07/04	50,000	3.4959

09/08/04	80,000	3.3043
09/09/04	136,365	3.1055
09/10/04	20,000	3.866
09/13/04	50,000	3.3983
09/14/04	45,000	3.3480
09/17/04	17,350	3.333
09/21/04	15,237	3.8184
09/23/04	36,700	3.74
09/27/04	13,249	3.7945
09/27/04	17,000	3.7498
09/28/04	20,000	3.7276
09/29/04	18,680	3.8442
09/30/04	20,000	3.8112
10/01/04	25,100	4.024
10/04/04	15,782	3.9996
10/05/04	11,256	4.0602
10/06/04	12,000	4.1213
10/08/04	6,027	4.2298
10/11/04	68,000	4.2019
12/09/04	50,000	5.70
12/14/04	60,000	5.90
12/16/04	20,000	6.22
12/16/04	5,000	6.49
12/17/04	12,500	6.47
12/20/04	5,000	6.58
12/21/04	20,000	6.86
12/23/04	78,100	6.78
12/27/04	20,000	6.90
	<u>1,019,119</u>	

9. MLF PARTNERS, L.P. transferred to MLF OFFSHORE PORTFOLIO CO. 5,575,065 shares of ALLOY, INC. common stock on January 3, 2005, as part-payment for limited partnership units of MLF OFFSHORE PORTFOLIO CO.

10. MLF OFFSHORE PORTFOLIO CO., at January 3, 2005, and immediately prior to the transfer aforesaid was a distinct and different entity from MLF PARTNERS, L.P.

It had limited partners, assets, liabilities and net worth which differed from those of MLF PARTNERS, L.P. The limited partnership units of MLF OFFSHORE PORTFOLIO CO. received by MLF PARTNERS, L.P. as aforesaid had a value different, independent and distinct from the value of the shares of ALLOY, INC. transferred by MLF PARTNERS, L.P. and higher than the cost to MLF PARTNERS, L.P. of such ALLOY, INC. shares purchased within a period of less than six months. Such transfer for consideration was a sale by MLF PARTNERS, L.P. of its ALLOY, INC. shares for puposes of Section 16(b).

11. By reason of the foregoing purchases and sale or sale and purchases of shares of ALLOY, INC. common stock by MLF PARTNERS, L.P. within periods of less than six months while it was a more-than-10% beneficial owner of ALLOY, INC., MLF PARTNERS, L.P. realized profits, the exact amounts being unknown to plaintiff, which profits inure to the benefit, and are recoverable by plaintiff on behalf, of ALLOY, INC.

SECOND CLAIM FOR RELIEF:

12. MLF PARTNERS, L.P., during periods not barred by the statute of limitations preceding the date of the filing of the complaint in this suit, directly or indirectly

purchased and sold or sold and purchased equity securities of ALLOY, INC. within periods of less than six months of each other while it was a more-than-10% beneficial owner of ALLOY, INC.

13. By reason of its purchases and sales or sales and purchases within periods of less than six months of one another while an insider and fiduciary of ALLOY, INC., MLF PARTNERS, L.P. realized profits, the exact amounts thereof being unknown to plaintiff, which profits inure to the benefit, and are recoverable by plaintiff on behalf, of ALLOY, INC.

WHEREFORE, plaintiff demands judgment:

a) Requiring MLF PARTNERS, L.P. to account for and to pay over to ALLOY, INC. the short-swing profits realized and retained by it in violation of Section 16(b) of the Act, together with appropriate interest and the costs of this suit.

b) Awarding to plaintiff her costs and disbursements, including reasonable attorneys' fees; and

c) Granting to plaintiff such other and further relief as the court may deem just and proper.

Dated: Southampton, New York
January 26, 2006

Yours, etc.

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